

Message Text

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ORIGIN EB-08

INFO OCT-01 ISO-00 IO-13 AID-05 TRSE-00 AF-10 ARA-10
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TO AMEMBASSY BERN PRIORITY
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AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY TOKYO
INFO USMISSION GENEVA
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C O N F I D E N T I A L STATE 191800

USOECD, USEEC ALSO FOR INFO

E.O. 11652:GDS

TAGS: EFIN, UNCTAD

SUBJECT: THE "DEBT ISSUE" IN UNCTAD

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REF: (A) STATE 160950, (B) GENEVA 6214

1. SUMMARY: A TRADE AND DEVELOPMENT BOARD (TDB) OFFICIALS MEETING IS SCHEDULED FOR SEPTEMBER 5-9 IN GENEVA (I.E., THE 9TH SPECIAL SESSION TO THE TDB, PART I). WE EXPECT THE MEETING WILL HIGHLIGHT THE ISSUE OF LDC INDEBTEDNESS, AND FEATURE A MAJOR EFFORT BY THE UNCTAD SECRETARIAT TO EXPAND ITS MANDATE ON DEBT. IN PARTICULAR, WE BELIEVE THE UNCTAD SECRETARIAT WILL SEEK A MANDATE TO NEGOTIATE THE US/EC AND G-19 PROPOSALS TABLED AT THE CIEC. FOR THE REASONS STATED

IN REFTEL (A), THE USG OPPOSES ANY EXPANSION OF THE UNCTAD MANDATE ON DEBT. WE THINK IT IMPORTANT THAT UNCTAD LIMIT ITS ROLE TO THE TERMS OF REFERENCE OF RESOLUTION 94 (IV) SO THAT IT NOT IMPEDE CONSTRUCTIVE DIALOGUE ON THE DEBT ISSUE IN OTHER FORA SUCH AS THE IMF/IBRD DEVELOPMENT COMMITTEE. REQUEST YOU BRING USG VIEWS ON THIS ISSUE TO THE ATTENTION OF APPROPRIATE OFFICIALS RESPONSIBLE FOR BOTH UNCTAD AND DEBT MATTERS (INCLUDING FINANCE MINISTRY OFFICIALS), AND SEEK VIEWS OF HOST GOVERNMENTS. IN DOING SO, YOU SHOULD EMPHASIZE THAT USG BELIEVES THE SEPTEMBER 5-9 MEETING COULD HAVE IMPORTANT CONSEQUENCES REGARDING THE ONGOING TREATMENT

OF DEBT IN THE NORTH/SOUTH DIALOGUE. (A SEPTTEL REGARDING OVERALL AGENDA FOR TDB MINISTERIAL IS BEING FORWARDED. YOU SHOULD AWAIT THIS TELEGRAM FOR DISCUSSIONS WITH THOSE OFFICIALS WHOSE INTEREST EXTENDS BEYOND DEBT ISSUE.)

2. BACKGROUND:

(A) THE MANILA DECLARATION ISSUED IN FEBRUARY 1976 FORMS THE BASIS OF THE LDC POSITION ON DEBT. IT ADVOCATES WIDESPREAD DEBT RELIEF ON OFFICIAL DEBT AND A REFINANCING OF COMMERCIAL DEBT. THE GROUP OF 77 PRESSED THESE DEMANDS CONFIDENTIAL

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AT UNCTAD (IV) IN NAIROBI, BUT THEY WERE STRONGLY RESISTED BY THE CREDITOR COUNTRIES WHO WISHED TO BOTH PRESERVE THE CREDITOR CLUB MECHANISM AND CASE-BY-CASE APPROACH FOR DEALING WITH ACUTE DEBT CRISES, AND TO MAINTAIN A CLEAR DISTINCTION BETWEEN DEBT RELIEF AND DEVELOPMENT ASSISTANCE.

(B) GIVEN THE WIDE DIVERGENCE IN VIEWS AT NAIROBI, THE UNCTAD IV RESOLUTION ON DEBT (I.E., RESOLUTION 94) WAS IN ITSELF RATHER MODEST. RESOLUTION 94 (IV) CALLED FOR THE IDENTIFICATION OF FEATURES TO PROVIDE GUIDANCE IN FUTURE OPERATIONS RELATING TO DEBT PROBLEMS. THE US/EC PROPOSAL AT CIEC WAS INTENDED TO IDENTIFY SUCH FEATURES, AND INTER ALIA SUGGESTED FEATURES FOR CREDITOR CLUB MEETINGS AS WELL AS PROCEDURES TO DEAL LONGER-TERM BALANCE OF PAYMENTS PROBLEMS OF WHICH DEBT IS AN ELEMENT. (SEE REFTEL A FOR THE KEY LANGUAGE OF RESOLUTION 94 (IV).

(C) DURING CIEC, THE LDCS MAINTAINED THEIR MANILA DECLARATION POSITION WHILE AT THE SAME TIME PROPOSED GUIDELINES AND PRINCIPLES WHICH WOULD ALTER SUBSTANTIALLY THE NATURE AND FUNCTION OF THE CREDITOR CLUB MECHANISM.

(D) THE MINISTERIAL SESSION OF THE TDB SCHEDULED FOR JANUARY 1978 WILL INCLUDE ON ITS AGENDA A REVIEW OF ACTION TAKEN PURSUANT TO RESOLUTION 94 (IV).

(E) RESOLUTION 94 (IV) ALSO AUTHORIZES THE UNCTAD

SECRETARIAT TO CONVENE A GROUP OF EXPERTS TO ASSIST THE MINISTERIAL SESSION REVIEW ACTION TAKEN PURSUANT TO THE RESOLUTION. SUCH AN EXPERTS GROUP MET JULY 18-22 (SEE REFTEL B). ANOTHER EXPERTS GROUP MEETING HAS BEEN TENTATIVELY SET FOR OCTOBER, WITH ARRANGEMENTS DUE TO BE CONFIRMED AT THE SEPTEMBER 5-9 OFFICIALS MEETING. THE USG HAS RESERVED ON THE ISSUE ON AN OCTOBER MEETING, STATING THAT IF SUCH A MEETING WERE TO TAKE PLACE ITS MANDATE SHOULD CLEARLY BE RESTRICTED TO REVIEWING ACTION TAKEN
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PURSUANT TO RESOLUTION 94 (IV).

(F) DURING THE COURSE OF THE JULY EXPERTS MEETING, IT BECAME CLEAR THAT THE UNCTAD SECRETARIAT INTENDS SEEK A MANDATE FROM THE SEPTEMBER 5-9 OFFICIALS MEETING TO TASK THE SECOND DEBT EXPERTS MEETING TO NEGOTIATE AN AGREEMENT ON FEATURES FOR PRESENTATION TO THE 1978 MINISTERIAL. THE SECRETARIAT'S OBJECTIVE APPARENTLY IS TO HAVE THE EXPERTS ATTEMPT TO MELD ELEMENTS OF THE US/EC PROPOSALS WITH THE G-19 CIEC PROPOSALS INTO AN ACCEPTABLE PACKAGE. FROM THE SECRETARIAT'S VIEWPOINT, THIS WOULD DESIGNATE UNCTAD AS THE APPROPRIATE FORUM FOR DEALING WITH SUBSTANTIVE ONGOING DEBT ISSUES, AS WELL AS EXERT PRESSURE ON THE GROUP B COUNTRIES TO MAKE SUBSTANTIVE CONCESSIONS IN THE US/EC TEXT IN ORDER TO MEET THE TIME DEADLINES IMPOSED BY THE MINISTERIAL.

3. THE USG IS VERY CONCERNED AT THE WAY THE DEBT ISSUE IS EVOLVING AT UNCTAD. TO ENTER INTO DEBT NEGOTIATIONS AT THIS STAGE WOULD PLACE THE GROUP B CREDITOR COUNTRIES DANGEROUSLY CLOSE TO A "NO WIN" SITUATION IN WHICH THEY ARE PRESSED INTO MAKING MAJOR CONCESSIONS ON WHAT IS ALREADY A FORTHCOMING US/EC CIEC PROPOSAL, WHILE IN NO WAY DIMINISHING OTHER RADICAL DEMANDS OF THE GROUP OF 77 FOR ADDITIONAL GENERALIZED DEBT RELIEF. WE SHOULD RECALL THAT RESOLUTION 94 (IV) IS A MODEST RESOLUTION, AND WAS IN NO WAY INTENDED TO PROVIDE THE GROUP OF 77 OR THE UNCTAD SECRETARIAT WITH THE JUSTIFICATION FOR PRESSING FOR EITHER A MAJOR REVISION IN THE CREDITOR CLUB MECHANISM OR FOR RECOGNITION OF THE CONCEPT OF GENERALIZED DEBT RELIEF AS A FORM OF AID. THE USG IS NOT ABLE TO COMPROMISE ITS POSITION ON EITHER OF THESE ISSUES. THUS WE CANNOT AGREE TO ATTEMPT TO MELD "COMMON ELEMENTS" OF US/EC CIEC TEXT
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WITH THOSE TABLED BY THE G-19 AND NOW ADOPTED BY THE GROUP OF 77. IN VIEW OF THE FUNDAMENTAL CONCEPTUAL DIFFERENCES BETWEEN GROUP B AND GROUP OF 77 APPROACHES TO THE ISSUE, THE END RESULT OF SUCH A MELDING EXERCISE WOULD

AT BEST BE AN AMBIGUOUS TEXT ACCOMPANIED BY VOLUMINOUS RESERVATIONS AND INTERPRETATIVE STATEMENTS. IN EFFECT, WE WOULD BE RISKING SOME VERY IMPORTANT FINANCIAL CONCEPTS AND WOULD BE RECEIVING NOTHING IN RETURN.

4. US IS WELL AWARE OF THE NEED TO CONTINUE AND IMPROVE CREDITOR/DEBTOR DIALOGUE ON DEBT ISSUE. WE HOPE THAT THE IMF/IBRD DEVELOPMENT COMMITTEE WILL SOON INITIATE WORK IN THIS AREA. WE FEEL THAT THE DEVELOPMENT COMMITTEE WHICH CAN CALL ON THE BANK/FUND STAFF HAS THE COMPETENCE AND TECHNICAL EXPERTISE TO MOST EFFECTIVELY DEAL WITH DEBT PROBLEMS IN A PRAGMATIC AND CONSTRUCTIVE MANNER. IN THIS CONTEXT, WE BELIEVE IT IMPORTANT THAT THE UNCTAD LIMIT ITS ROLE TO THE TERMS OF REFERENCE OF RESOLUTION 94 (IV) SO THAT IT NOT IMPEDE CONSTRUCTIVE DIALOGUE IN OTHER FORA SUCH AS THE DEVELOPMENT COMMITTEE. AS WAS THE CASE WITH CIEC, ANY WORK DONE IN THE DEVELOPMENT COMMITTEE PURSUANT TO RESOLUTION 94 (IV) WOULD BE ELIGIBLE FOR REVIEW BY THE JANUARY TDB MINISTERIAL.

5. FOR REASON STATED IN PARAGRAPHS 3 AND 4, AS WELL AS VIEWS CONTAINED REFTEL (A), THE US OPPOSES STRONGLY ANY ATTEMPT FOR THE SEPTEMBER 5-9 MEETING TO ENDORSE AN OCTOBER DEBT EXPERTS MEETING WITH THE EXPANDED MANDATE TO NEGOTIATE AN AGREEMENT ON DEBT.

6. USG APPRECIATES IT WILL BE DIFFICULT TO CONFINE SCOPE OF ANY OCTOBER EXPERTS MEETING TO "REVIEW" OF IMPLEMENTATION OF RESOLUTION 94 (IV) PARTICULARLY SINCE WORK IN OTHER FORA (SUCH AS DEVELOPMENT COMMITTEE) WILL LIKELY BE ONLY IN EMBRYONIC STAGE. FOR THIS REASON, WE BELIEVE IDEA OF SECOND MEETING IS TACTICALLY UNWISE AND SHOULD BE CONFIDENTIAL

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OPPOSED.

7. IN VIEW OF THE ABOVE THE USG BELIEVES THE MOST EFFECTIVE COURSE FOR GROUP B COUNTRIES TO TAKE AT THE SEPTEMBER 5-9 MEETING WOULD CONSIST OF THE FOLLOWING ELEMENTS:

(A) TO REAFFIRM UNCTAD'S EXISTING MANDATE WITH RESPECT TO COMMODITIES, COMMON FUND, TRADE, ECONOMIC RELATIONS WITH SOCIALIST STATES, ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES, AND THE PROBLEMS OF THE LEAST DEVELOPED. AT THE SAME TIME, FORESTALL ATTEMPTS TO EXPAND UNCTAD'S LIMITED MANDATE IN AREAS SUCH AS MONETARY AFFAIRS, DEBT, AND OFFICIAL TRANSFERS. WE BELIEVE PRIMARY RESPONSIBILITY FOR THESE LATTER ISSUES SHOULD CONTINUE TO BE THE WORLD BANK, THE IMF, AND THEIR JOINT DEVELOPMENT COMMITTEE.

(B) REGARDING DEBT, TO REITERATE SUPPORT OF THE US/EC CIEC PROPOSAL AS BEING FULLY RESPONSIVE TO THE

MANDATE OF RESOLUTION 94 (IV) AND A PRACTICAL AND REALISTIC RESPONSE TO THE CURRENT DEBT SITUATION OF THE LDCS. TO EXPRESS OUR REGRET THAT THE US/EC PROPOSAL WAS NOT ACCEPTED BY THE G-19.

(C) TO REAFFIRM OUR BELIEF THAT THE PROPOSALS BEING ADVOCATED BY THE GROUP OF 77 FOR OVERHAUL OF CURRENT CREDITOR CLUB PROCEDURES AND FOR GENERALIZED DEBT RELIEF ARE NOT ACCEPTABLE EVEN AS A BASIS FOR NEGOTIATION.

(D) TO KEEP THE ROLE OF UNCTAD CLEARLY WITHIN THE MANDATE OF RESOLUTION 94 (IV), I.E., TO REVIEW ACTION TAKEN PURSUANT TO RESOLUTION 94 (IV), AND TO AVOID EXPANDING THE MANDATE TO INCLUDE ATTEMPTS TO NEGOTIATE ANY NEW AGREEMENT ON DEBT.

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(E) TO TAKE THE POSITION THAT A SECOND DEBT EXPERTS MEETING IN OCTOBER IS NOT NECESSARY SINCE THE FIRST MEETING IN JULY HAS ALREADY ADEQUATELY REVIEWED IMPLEMENTATION OF RESOLUTION 94 (IV).

8. FOR ADDITIONAL BACKGROUND - THREE OTHER ASPECTS OF DEBT ISSUE WHICH MAY BE ADDRESSED AT THE SEPTEMBER 5-9 MEETING ARE:

(A) THE GROUP OF 77 RESOLUTION ON DEBT TABLED AT UNCTAD IV (TD/L/124) HAS BEEN TRANSMITTED TO THE JANUARY MINISTERIAL. THIS RESOLUTION CALLS FOR WIDESPREAD GENERALIZED DEBT RELIEF. AT THE 16TH SESSION OF THE TDB (OCTOBER 1976) GROUP B COUNTRIES WENT ON RECORD THAT THE RESOLUTION WAS BEING TRANSMITTED TO THE MINISTERIAL ONLY "FOR INFORMATION". THIS REMAINS THE USG POSITION.

(B) ON DECEMBER 21, 1976 THE UNGA ADOPTED A RESOLUTION ON DEBT (31/158) REQUESTING THE MINISTERIAL TO REACH AGREEMENT ON CONCRETE MEASURES "TO PROVIDE AN IMMEDIATE SOLUTION TO THE DEBT PROBLEMS OF DEVELOPING COUNTRIES". THE VOTE ON THIS RESOLUTION WAS 99 IN FAVOR, 1 OPPOSED (USG), AND 31 ABSTENTIONS. THIS RESOLUTION REMAINS UNACCEPTABLE TO THE USG.

(C) REFTTEL (A) PROVIDES BACKGROUND TO PARAGRAPHS 10 (D), (E) AND (F) OF RESOLUTION 98 (IV) REGARDING LEAST DEVELOPED COUNTRIES. OUR POSITION CONTINUES TO BE THAT THIS ISSUE IS CLEARLY OUTSIDE THE MANDATE OF RESOLUTION 94 (IV). MOREOVER, THE CREDITOR COUNTRIES ALREADY ADDRESSED THIS RESOLUTION AT THE 16TH SESSION OF THE TDB, THE RESULT BEING TDB DECISION 149 (XVI) AND WE THEREFORE FEEL NO FURTHER CONSIDERATION OF THESE PARAGRAPHS IS JUSTIFIED.

9. FOR GENEVA: GIVEN TIME SEQUENCE PROBLEMS, YOU MAY
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WISH TO DISCUSS CONTENTS THIS CABLE WITH JAPANESE
REPRESENTATIVE IN GENEVA. CHRISTOPHER

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<< END OF DOCUMENT >>

Message Attributes

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Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Status: NATIVE
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